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# Shell Signs Binding Offtake Agreement for Mexico LNG Terminal

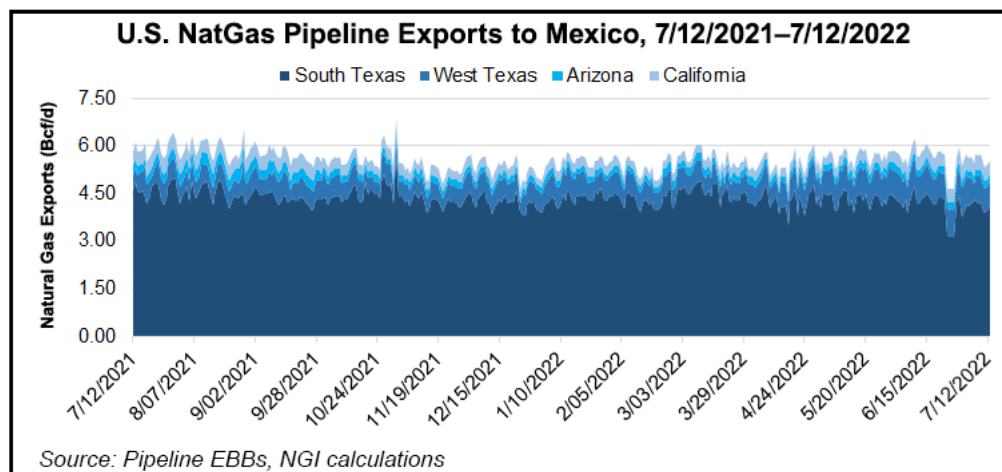


BY ANDREW BAKER

July 12, 2022

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A unit of Shell plc has signed a sales and purchase agreement (SPA) for 2.6 million metric tons/year (mmt) of offtake from Mexico Pacific Ltd. LLC's (MPL) LNG export terminal on Mexico's Pacific Coast.



Envisioned for Puerto Libertad in Sonora State, the terminal's first two trains would have a combined liquefaction capacity of 14.1 mmt, with operations slated to begin in 2026.

The SPA calls for Shell Eastern Trading (Pte) Ltd. to purchase liquefied natural gas (LNG) on a free-on-board basis over a term of 20 years, the supermajor said.

The MPL terminal is designed to export gas sourced from the Permian Basin to global markets, primarily the Asia Pacific region.

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"We are delighted to welcome Shell as a foundation customer at our anchor LNG facility", said Doug Shanda, CEO of Houston-based MPL. "Their recognition of the advantages our location offers, including access to low-cost Permian gas, avoidance of the Panama Canal to ensure a shorter shipping distance to Asia and lower landed pricing, demonstrates the value of West Coast North American LNG.

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“We are equally delighted that Shell has chosen to work with us as we continue to pursue LNG production growth to meet increasing energy security needs.”

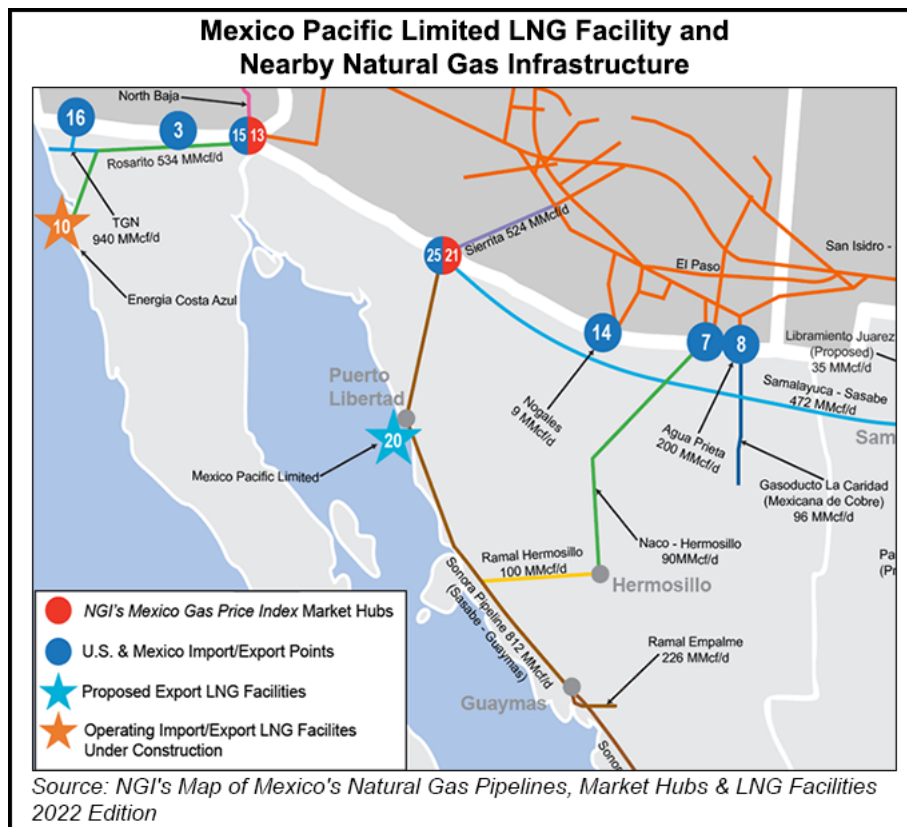
Shell is **forecasting a strong second quarter** due to the supportive outlook for oil and natural gas pricing globally.

“Energy security remains paramount for the world,” said Shell’s Steve Hill, executive vice president of energy marketing. “The demand for LNG is set to continue to rise with further LNG required to ensure security of supply and progress the energy transition...”

He added, “We look forward to continuing to work with Mexico Pacific as they advance to bring more LNG online.”

China’s **Guangzhou Development Group Inc.** also disclosed earlier this year it had signed a 20-year binding offtake agreement with MPL for about 2 mmt/y from the proposed terminal.

Shell’s latest announcement coincided with **an official visit to the White House** by Mexico’s president, Andrés Manuel López Obrador, during which he called for strengthening the natural gas trade between the two countries.



U.S. natural gas pipeline exports to Mexico stood at 5.53 Bcf/d as of Tuesday according to NGI calculations, which exclude unreported intrastate flow data.

López Obrador, commonly known as AMLO, called for public-private partnerships to develop energy projects, specifically citing natural gas liquefaction plants under development.

He also touted “more than 1,000 kilometers of natural gas pipelines” along the border to t

New Fortress Energy also **announced commercial agreements this month** with Mexico's state energy companies Petróleos Mexicanos (Pemex) and Comisión Federal de Electricidad (CFE) to export LNG sourced from Mexico and the United States.

The LNG announcements and the president's visit come amid tension between the countries over **López Obrador's energy policies**, which have sought to ensure the dominance of Pemex and CFE in the sector.

Most recently, Mexico's Comisión Reguladora de Energía approved a rule change requiring gas users on the Sistrangas natural gas pipeline network to source the fuel from one of the two state-owned energy giants. However, a federal judge this week has temporarily suspended the rule from being implemented.

In a meeting last week with Mexico's Secretary of Economy Tatiana Clouthier, U.S. Trade Representative Katherine Tai said she "raised ongoing concerns about the investment climate in Mexico, including Mexico's energy policies that continue to threaten U.S. investment and damage Mexico's efforts to address climate change..."

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